

**CITY OF SPRINGFIELD
ACTION PLAN FOR RESPONSES
STATE AUDIT RECOMMENDATIONS**

1.

Management of City Resources

1. Recommendation:

City Council to provide the necessary oversight to ensure city funds are managed appropriately, including having a clear financial plan on how to fund all city obligations. Additionally, the City Council should implement the various recommendations through the report to help improve the management of city operations.

Respondent:

City Manager's Office

Response Action: In progress

The budget process this year will include a clear picture of all city obligations and a recommended financial plan for funding those obligations. The plan will be presented to City Council with the budget document by May 1, 2008.

The various recommendations that follow include an identification of those that have already been addressed, as well as those that are currently being addressed along with a suggested time line for completion. There are also some recommendations that may include issues that have been endorsed through a community involvement process such as Vision 20/20 or voter referendums. These support City Council in their decisions to provide specific services to the community, but still resulted in recommendations by the State Auditor. Such recommendations will be reviewed as similar projects are proposed in the future.

2.

Downtown Development

2. Recommendation:

City Council should refrain from pledging taxpayer funds to assist developers in obtaining financing for projects. In addition, proposals should be solicited for services provided by developers, and agreements should be clear with regard to the use of restricted city funds. Further, City Council should review future development projects to limit the city's financial exposure.

Respondent:

Director of Economic Development, Mary Lilly Smith

Response Action: In progress

The City of Springfield like many other municipalities throughout the United States offers a number of incentives to encourage private development. These incentives are authorized by either state or local law; however, the City often has discretion as to when and where the incentives are offered. The City of Springfield is surrounded by communities with whom we must compete for economic development projects; thus, it is critical to our economic well-being to offer incentives to encourage private development.

Over the past decade the City has developed internal procedures and some policies regarding the use of incentives. In 2005 City Council established a fee schedule for incentives that was geared toward recouping processing costs.

The Director of Economic Development, Mary Lilly Smith, recommends that a comprehensive economic development policy be developed and adopted by City Council. The policy would address the circumstances under which certain incentives should be used, including types of projects and targeted areas, process and public notice provisions, and would include a review of the existing fee schedule. The policy would be adopted and used to evaluate private developer requests for public assistance.

The policy would be reviewed by one or more focus groups including representatives from the development community, taxing jurisdictions, and other interested citizens. The following proposed schedule would be used to submit to City Council for their review.

February 15 – April 30	Gather examples of economic development policies from other communities; identify gaps in existing policies; reconcile inconsistencies; review existing local policies and previously approved projects; draft policy manual.
April 30 – June 15	Review policy manual with focus groups; revise as needed.
June 30	Submit draft report for City Council review.

In addition to the development of this policy, the Director of Economic Development will coordinate an analysis of the economic impact of the public investment in downtown projects in particular and present to City Council when the policy draft is presented.

3.

Capital Projects

3. Recommendation:

Review the financial operations of these two facilities (Jordan Valley Ice Park and Car Park) and determine the appropriate course of action to minimize the amount of city subsidies required for the debt service payments and operating expenses.

Respondent:

City Manager's Office

Response Action: Completed

The Car Park is in the process of being sold to a private investor thus eliminating the need to subsidize the debt service payments and operating expenses after the sale.

The Ice Park was built following community discussions through the Vision 20/20 process and citizen surveys indicating support for ice sports as the highest unmet recreational need in Springfield. It is not unusual for the Parks Department to provide subsidies to recreational activities through its general operating budget supported by property tax. These subsidies are necessary and appropriate in order to provide these services to citizens at an accessible cost as well as offer free or discounted rates to users from time to time such as the City's public swimming pools and the Zoo. The City and the Parks Department will endeavor to seek every opportunity to increase activities at the Ice Park, as well as sponsorships, in order to increase revenues of the operation and thus reduce the subsidies required.

Future projects of a non-self-supporting nature such as the Ice Park will be evaluated in terms of risk that may be placed upon the City's general fund and approved only after assurance that there is broad community support for the project as there was for the ice sports.

4. Recommendation:

Determine how the building, furniture, and equipment can be immediately utilized by the City. (Reference is to the L.E. Cox Building – portion allocated to a Police/Fire Training Center).

Respondent:

City Manager's Office

Response Action: Completed

The portion of the L.E. Cox Building that had been dedicated to the Police/Fire Training Center is under contract for sale to the Jordan Valley Community Health Center. The proceeds from the sale will be utilized to replace the bond proceeds that were used to purchase the space in the L.E. Cox Building for the training center. The use of the L.E. Cox Building for the training center became cost prohibitive thus delaying the project

until additional funding sources could be identified. This sale actually provides funds that will allow the training center to be built in phases at a different location within the next two years – at least two years sooner than expected. Most of the furniture and equipment purchased from the Federal grant is already being utilized by the current training centers. The portion that is still in storage will be placed in service within the next two years at the completion of the training center.

5. Recommendation:

Develop a plan to fund the repayment of the bonds associated with the crime lab.

Respondent:

City Manager's Office

Response Action: Completed

The bonds referred to in this recommendation are the bank loans of \$2.7 million made by several local banks to the City to assist with financing of the construction of the state crime lab at a low-interest rate. The loan is structured as interest only for five years with a balloon payment due at the end of the five year term. The City and Greene County have agreed to share the interest costs equally over the five-year period. The City has also made a request to Greene County to fund 50 percent of the principle amount.

The recent Sprint-Nextel settlement has provided \$250,000 for a reserve dedicated to funding the principal payment. A recommendation will be included in the general fund budget each year to provide additional reserves to assure funding for this obligation when it becomes due. The loans were negotiated and approved by City Council with the full understanding that revenues from the General Fund may be the sole source of funding. Without this loan, the much-needed, full-service Crime Lab would not be under construction today.

6. Recommendation:

Document the cost and benefits associated with test projects along with why certain streets are selected for such improvements. Also, ensure street improvement monies are used in the most efficient and effective manner possible.

Respondent:

Director of Public Works, Marc Thornsberry

Response Action: Completed - To be reviewed by Internal Auditor

To ensure that the City continues to use street maintenance funds in the most efficient and effective manner Public Works will conduct a benefit/cost analysis for all future street paving demonstration (pilot and/or test) projects prior to advancing an alternative paving method (i.e. concrete pavers). This analysis will consider initial cost, maintenance costs, rehabilitation costs and user costs. The guiding principles of this analysis will also consider 1) speed of construction to minimize interference with businesses, 2) maintenance of vehicular and pedestrian accesses during construction, 3)

aesthetic and historic values, and 4) economic/revitalization values. The Internal Auditor will request and review such documentation from time to time to determine that this recommendation is fully implemented.

7. Recommendation:

Review with legal counsel the ballot language used for extending the general revenue tax levy to ensure the language provides voters with a clear sunset date.

Respondent:

City Attorney, Dan Wichmer

Response Action: Completed

The City will review the phrasing of future ballot language to ensure the language provides voters with a clear sunset date when applicable.

4.

Employee Benefits

8. Recommendation:

Continue to evaluate options for changes to the retirement plan, and develop and implement methods to increase the funded percentage of the Police Officers and Firemen's Retirement System (Plan).

Respondent:

City Manager's Office

Response Action: In progress

We are in the process of contracting with an Actuary other than the firm that prepares the annual actuarial report for the Board of Trustees for the Plan. We will request that the Actuary perform an audit of the latest actuarial valuation and provide a report to City Council at a workshop to be scheduled in March. At that time, City Council will be given the opportunity to further study and evaluate the funding issues related to the Plan. We will explore whatever options the Actuary might present to assist us in implementing the auditor's recommendation.

In addition, we are using this year's budget process to examine programs that may be recommended for elimination or decreased funding in order to re-direct funds to meet the required employer contribution to the fund for the 2008-09 budget year. This recommendation will be presented to City Council for their study and consideration at the budget workshops prior to finalizing the budget for 2008-09.

9. Recommendation:

Develop a plan to fund the amounts owed for unlimited accrued leave balances.

Respondent:

City Manager's Office

Response Action: In progress

An analysis of the accrued leave balances will be made and the liability calculated for each. Recommendations for funding and/or changes to the leave benefit will be brought to City Council for their consideration during the next three months as a part of the budget process.

10. Recommendation:

Continue to work with the LAGERS to ensure contract employees become active members for retirement purposes.

Respondent:

Director of Human Resources, Sheila Maerz

Response Action: Completed

Effective July 1, 2007, and prior to the state audit report, all eligible contract employees became active members of LAGERS for retirement purposes. All future contract employees who are eligible for LAGERS will be enrolled

11. Recommendation:

Continue to develop and implement methods to adequately fund the liabilities of the city's self-insured workers compensation fund.

Respondent:

Director of Finance, Mary Mannix-Decker

Response Action: Completed

Prior to the state audit report, a plan was already established during the 2007-08 budget process to provide additional revenue of approximately \$600,000 to the workers compensation fund through premium increases charged to departments. Each year premium increases of this magnitude are planned until adequate funding levels are achieved to adequately fund the liabilities of the fund.

5.

City Contracts

12. Recommendation:

Require city management to obtain and review detailed documentation of the services provided to ensure payments are reasonable and in compliance with contract terms. Further, the need for multiple contract extensions should be evaluated and the reason should be adequately documented.

Respondent:

Director of Finance, Mary Mannix-Decker, with assistance from the Accounting Procedures Workgroup

Response Action: *In progress*

Under the direction of the Director of Finance, guidelines and procedures to address this recommendation, and others mentioned later in this document related to contracts, will be developed and distributed to all departments for consistency in how these recommendations are implemented. These guidelines and procedures will be submitted as a Financial Policy to the City Council Finance and Administration Committee for its acceptance and approval. The Internal Auditor may from time to time review such documentation for compliance with the policy.

13. Recommendation:

Consult with legal counsel concerning the adequacy of documentation related to spousal retirement benefits for the former City Manager.

Respondent:

Director of Human Resources, Sheila Maerz

Response Action: *Completed*

Forms have been created related to spousal retirement benefits. The former City Manager and his wife have signed the forms. There is little expectation that such a benefit will be administered by the city in the future; but if necessary, the forms are available for such purpose.

6.

City Loan Programs

14. Recommendation:

Evaluate the policy of allowing loan payments to be deferred for 20 years, and review all loans outstanding for more than 20 years.

Respondent:

Department of Planning and Development

Response Action: *Completed - To be reviewed by Internal Auditor*

These funds are provided by the Department of Housing and Urban Development (HUD) with the primary objective of assisting low and moderate-income households in obtaining affordable housing.

Loans deferred for 20 years or longer are only for the purpose of affordable housing. Loans are provided either to low-moderate income homeowners for rehabilitation or to developers who agree to meet the affordable rent schedule provided by HUD.

Owner-occupied loans are made to low-moderate income households and based on their income a portion or all of the loan may be deferred for as long as the person lives in the house. People are paying as much as they can afford, according to the sliding scale established by HUD. To attempt to make them pay more back would be a financial burden and place their financial position in jeopardy.

Renter-occupied loans are made to developers based on a formula whereby they pay as much back as the HUD rent ceiling allows. This is generally 50 percent of the loan. The remainder is deferred for the length of the amortized loan. The length of required affordability depends on the size and type (rehab or new construction) of the loan, but is generally 15 – 20 years. These projects would not be financially feasible if fully amortized; therefore, there is no ability to change this procedure without jeopardizing the program.

15. Recommendation:

Ensure the city's loan portfolio is managed to allow adequate revenues to be generated to maintain current loan operations, and review the decision to issue bonds to finance low-interest loans.

Respondent:

Department of Planning and Development

Response Action: Completed - To be reviewed by Internal Auditor

The funds are provided by the HUD to serve specific purposes such as assistance to low-moderate income households or to eliminate slum and blighting conditions. The programs produce more than \$1.6 million in revenue currently. These funds, along with the annual grant funds, provide approximately \$4 million in loan funds for the programs. In addition, there are \$1.8 million in HUD Section 108 funds that can be lent. The programs are sustainable at this rate.

The bond issued in 2003 was in response to a large demand for downtown redevelopment. Many large projects were primed to be redeveloped and city loan program funds were needed to provide financing gap funds. However, due to the previous demand, there were not sufficient funds to meet the need. With timing being critical, the city decided to issue Land Clearance for Redevelopment bonds to recapitalize the Small Business Development Loan Program in the amount of \$3 million. The bond was secured by specific loans in the portfolio and a 1.5 value/outstanding debt ratio must be maintained. Several key projects were allowed to move forward with these funds and these payments are part of the loan repayment income currently received. The interest rate on the bond is slightly higher (sliding scale over the years between 5 and 6.5 percent) than the 5 percent that the city charges so there is a net loss when interest generated by payments are compared with interest paid. Currently the city pays 5.3 percent on the bond.

The last year has seen less demand for funds than in the past and there is currently a surplus of funds. An analysis is being conducted to make additional principal payments on the bond to avoid future interest payments. Surplus funds must be balanced with need for the funds, but it appears that the bond may be paid back within five years, which would be nine years early.

In any event, the loan funds are solvent and there will continue to be funds to meet the intended needs in the community.

16. Recommendation:

Ensure property sold as a result of loan defaults is handled in accordance with city policy, and fees are assessed as established by city policy.

Respondent:

Department of Planning and Development

Response Action: In progress - To be reviewed by Internal Auditor

Currently, properties disposed of as a result of loan default are handled with two overriding principles as outlined in the program rules and regulations: (1) meeting program rules and objectives; and (2) protecting the financial interest of the city. Each instance involving loan workout presents different challenges and requires different solutions. The Loan Committee will develop and adopt more comprehensive policies for disposing of property obtained as a result of default by March 30, 2008.

17. Recommendation:

Develop procedures to adequately monitor deferred loan balances. Establishing procedures for an annual review of loan balances should be considered.

Respondent:

Department of Planning and Development

Response Action: In progress - To be reviewed by Internal Auditor

The department has several methods to monitor deferred loan balances. However, the Loan Committee will review these methods and determine if additional monitoring steps can be incorporated into portfolio management by March 30, 2008.

18. Recommendation:

Consider implementing policies to limit the amount of loans awarded to the same individual or company.

Respondent:

Department of Planning and Development

Response Action: **Completed** - **To be reviewed by Internal Auditor**

The department reviewed this recommendation and believes that a policy to limit the amount of loans awarded to the same individual or company is not workable because of the limited number of individuals and companies that apply for loans due to the complexity and restrictions placed on the loan programs by the federal government. The multiple loans called into question by the audit were generally affordable housing loans for which the city has a first deed of trust funded well below the appraised value. Limiting the multiple loans by any one developer will result in the money being under utilized and will limit the ability to provide affordable housing through this program.

19. Recommendation:

Ensure differences in loan account balances reported by the loan software system, the manual records, and the city's general ledger are investigated and explained.

Respondent:

Department of Planning and Development

Response Action: **In progress** - **To be reviewed by Internal Auditor**

The financial staff of Planning and Development is currently running both the old and new PD loans software. The new software appears to be working correctly, but staff is still in the process of reviewing all the data that was converted from the old software. The new software now provides accurate balances, which reconcile with the City's general ledger, for the accounts where the data has been reviewed against the old system. Staff is also reviewing and correcting support data for the accounts, such as, names and addresses. We plan to continue running both versions of the software through February, and then switch completely to the new software.

20. Recommendation:

Ensure access to specific computer programs/data files is restricted to authorized individuals and implement procedures to monitor adjustments made to loan balances.

Respondent:

Department of Planning and Development

Response Action: **In progress** - **To be reviewed by Internal Auditor**

Access to the new and old PD loans software has been restricted to authorized individuals, and procedures have been implemented to monitor adjustments made to loan balances in the new PD loans software. An Administrative Assistant enters the data into the new software and a Financial Analyst posts the data to the correct account. Only a Financial Analyst can make adjustments in the new software, and the system generates a report of all adjustments made during a specified time period. When all the data has been successfully converted, the Planning and Development Director will receive a report, generated by the software, of all adjustments made as a result of the data conversion. After all the data has been successfully transferred to the new system, the director will receive a weekly report showing whether there were any adjustments and what those

adjustments were. Again, the software generates the report, and the report lists all adjustments made during the specified time period. All the data should be converted by the end of February.

7.

Accounting Controls in City Departments

21. Recommendation:

The City Council ensure adequate controls and records are in place in all city departments to properly account for all monies received.

Respondent:

Director of Finance, Mary Mannix-Decker, with assistance from the Accounting Procedures Workgroup

Response Action: In progress - To be reviewed by Internal Auditor

In November 2007, prior to the release of the state audit report, the City Manager's office directed the Director of Finance to provide a recommendation to address the accounting controls in City Departments. Her recommendation, with which we concurred, was to establish a work group of the financial analysts that are working in all the various departments throughout the city. The objective for the group is to assist in developing and implementing policies and procedures, to discuss accounting issues, and to keep the Director of Finance updated on issues in each department as they relate to the financial resources of the city. The group will also provide assurance on a regular basis that the policies and procedures established are being followed over time.

The group is meeting weekly and its first policy that will be presented to the Finance and Administration Committee of City Council for their review and approval is "Cash Handling Procedures and Receiving Cash". The policies will be presented to the Committee for its review and approval as they are completed in order to begin implementation immediately rather than waiting for a full financial policy document to be drafted. This group will be permanently assigned to this task and continue to work with the Director of Finance to ensure adequate controls and records are in place in all city departments now and into the future.

8.

City Service Center

22. Recommendation:

The City Council should perform a cost-benefit analysis to determine the most cost-effective method of repairing and maintaining city-owned vehicles, and review the significant differences reported in labor costs at the Parks Department and the city's service center.

Respondent:

City Manager's Office

Response Action:

Internal Auditor Assignment

The Service Center continues to routinely benchmark against the private sector and maintain the charges to City departments at 77.5 to 82.5 percent of the private market rates. The rates are surveyed semi-annually. We agree with our Public Works Department, which has oversight responsibility for this Internal Service Fund and function that there are differences in the services that are provided versus what would be obtained for similar pricing in the private sector. We also agree that the security issues are an important and critical consideration for maintaining this function internally.

However, we recognize the need to routinely perform a cost-benefit analysis and also the need to review any significant differences between this fund and that of the Parks Department. Thus, it is our recommendation that this analysis and review be referred to the Internal Auditor once hired as one of the top priorities for audit and/or review and analysis. The Internal Auditor would be asked to determine a feasible time period for performing such analysis and review.

9.

Vehicle Usage

23. Recommendation:

Require complete and detailed mileage records be maintained for all city-owned vehicles and periodically analyze vehicle usage to ensure city-owned vehicles are used efficiently. Additionally, consider establishing a pool of city-owned vehicles to be shared by all departments.

Respondent:

Director of Finance, Mary Mannix-Decker

Response Action:

In progress

- To be reviewed by Internal Auditor

The Accounting Procedures Workgroup, under the Director of Finance's direction, will review this recommendation and draft policies and procedures that may be used consistently by all departments. The policy will be reviewed and approved by the City Council's Finance and Administration Committee.

24. Recommendation:

Ensure city management periodically evaluates and documents the necessity of providing vehicles for commuting purposes to ensure the business purpose is justified. Additionally, an adequate reporting system should be established to ensure personal commuting mileage is reported to the city finance department for inclusion in employee compensation.

Respondent:

Director of Finance, Mary Mannix-Decker

Response Action: Completed - To be reviewed by Internal Auditor

The evaluation and documentation to ensure the business purpose for providing vehicles for commuting purposes will be addressed as part of the policies and procedures developed in #23 above. The Finance Department now obtains a list of employees authorized to drive a city vehicle home directly from the City Manager's office. Each employee is notified of his/her responsibility for reporting commuting miles to the Finance Department on a quarterly basis for inclusion in the employee's compensation for tax purposes. The Finance Department will check the reporting against the list provided by the City Manager's office each quarter.

25. Recommendation:

Review vehicle allowances and set the allowances to reasonably reflect the actual expenses incurred by the applicable officials and employees. Additionally, city policy should address mileage reimbursement payments to individuals receiving a mileage allowance, and expense reports should include all necessary information before reimbursement is paid.

Respondent:

City Manager's Office

Response Action: Completed

The allowances have been reviewed and are considered a necessary and typical part of the total compensation package for the applicable officials and employees to cover the required use of a personal vehicle for the position. City policy now addresses mileage reimbursement payments to individuals receiving mileage allowance and expense reports are required to include all necessary information before reimbursement is paid.

10.

Hotel/Motel Room Tax:

26. Recommendation:

Consider implementing procedures to periodically examine the books and records of hotels and motels to ensure gross receipts used to calculate room taxes are accurate.

Respondent:

Director of Finance, Mary Mannix-Decker

Response Action: Completed - To be reviewed by Internal Auditor

The Licensing Inspectors who work in the field on a daily basis have been assigned hotels and motels to examine their books and records to ensure gross receipts used to calculate and remit room taxes are accurate.

27. Recommendation:

Improve the control and accountability over the use of hotel/motel tax monies, ensure the Convention and Visitor's Bureau (CVB) complies with all provisions of the contract, and continue to follow up to ensure all recommendations included in the CPA's report on operations are implemented.

Respondent:

CVB and City Manager's Office

Response Action: In progress - To be reviewed by Internal Auditor

The Executive Director of the CVB will be amending the CVB's budget at a February Council meeting. He has been requested to update City Council on the status of the 41 recommendations contained in the CPA's report on their operations. The petty cash issue will also be addressed at that time with an amendment to their contract to provide for an effective and efficient way for handling payments that need to be handled immediately through a bank checking account.

11.

City Purchasing Cards

28. Recommendation:

Evaluate the reasonableness of purchasing card limits, and provide cards, with appropriate transaction and monthly limits to employees based on past or anticipated purchasing patterns.

Respondent:

Director of Finance, Mary Mannix-Decker, with assistance from the Accounting Procedures Workgroup

Response Action: In progress - To be reviewed by Internal Auditor

The next policy that the Accounting Procedures Workgroup will draft will address this recommendation. They will first review information related to all purchasing card holders and determine the appropriateness of their transaction and monthly limits. A policy will be developed to provide guidelines for departments in maintaining adequate control and oversight over the use of purchasing cards within the department.

29. Recommendation:

Ensure all expenditures are necessary and prudent use of public funds. Additionally, a comprehensive policy regarding city-provided food purchases should be developed. This policy should establish specific guidelines regarding proper and allowable expenditures in this area, along with documentation requirements.

Respondent:

Director of Finance, Mary Mannix-Decker, and the City Manager's Office

Response Action: In progress

A policy will be drafted for City Council's consideration through the Finance and Administration Committee.

30. Recommendation:

Ensure purchasing card statements are thoroughly reviewed to ensure transaction limits are not exceeded.

Respondent:

Director of Finance, Mary Mannix-Decker, with assistance from the Accounting Procedures Workgroup

Response Action: In progress - To be reviewed by Internal Auditor

The City has policies and procedures in place that require supervisors to approve all transactions that would result in a cardholder exceeding his/her transaction limits. Such circumstances are rare and are related to emergency situations. Split purchases are also very rare but could occur in an emergency situation. However, the policy will be reviewed and any gaps in the policy will be addressed as a part of the policies and procedures developed in #28 above.

31. Recommendation:

Require adequate documentation be maintained for all purchasing card transactions.

Respondent:

Director of Finance, Mary Mannix-Decker, with assistance from the Accounting Procedures Workgroup

Response Action: In progress - To be reviewed by Internal Auditor

There are currently policies and procedures in place that require adequate documentation for all purchasing card transactions. However, the policy will be reviewed and any gaps in the policy will be addressed as a part of the policies and procedures developed in #28 above.

12.

City Expenditures

32. Recommendation:

Develop procedures to evaluate the contract with the lobbyist and require detailed documentation of the services provided to ensure payments are reasonable and in compliance with contract terms.

Respondent:

Director of Finance, Mary Mannix-Decker, with assistance from the Accounting Procedures Workgroup

Response Action: In progress

The policy adopted in response to #5 (City Contracts) above will be utilized to ensure that proper procedures are used to evaluate the contract with the lobbyist and to ensure payments are based on documented services and in compliance with contract terms.

33. Recommendation:

Ensure adequate planning is performed to reduce the number of change orders, and, if substantial changes are needed, consideration should be given to rebidding the applicable projects.

Respondent:

Director of Finance, Mary Mannix-Decker, with assistance from the Accounting Procedures Workgroup

Response Action: In progress - To be reviewed by Internal Auditor

This recommendation will be considered and procedures adopted as a part of the policy that will be taken to the Finance and Administration Committee in response to #5 (City Contracts).

34. Recommendation:

Ensure a contract is in place specifying how funds are to be spent if the city continues to desire to provide funding to the Downtown Springfield CID.

Respondent:

Director of Economic Development, Mary Lilly Smith

Response Action: In progress

A contract will be in place by April 15, 2008. The contract must be drafted, approved by the CID Board and by City Council. This should be accomplished by this date.

35. Recommendation:

Ensure all disbursements of city funds are a necessary and prudent use of public funds. In addition, establish guidelines for travel-related costs to ensure all costs are reasonable.

Respondent:

Director of Finance, Mary Mannix-Decker, with assistance from the Accounting Procedures Workgroup; City Manager's Office

Response Action: In progress - To be reviewed by Internal Auditor

The travel policy is in the process of being updated to address this issue and other issues that need to be reviewed under this policy. The Assistant City Manager is working with Finance, Human Resources, and the City Attorney to revise our travel guidelines related to meal allowances and other expenses when traveling. The

Accounting Procedures Workgroup will also be asked to review the changes before sending it forward to the City Council's Finance and Administration for review and approval.

36. Recommendation:

Consider including a requirement in the city's travel policy for employees to compare and document rates of the various vendors.

Respondent:

Director of Finance, Mary Mannix-Decker, with assistance from the Accounting Procedures Workgroup; City Manager's Office

Response Action: In progress - To be reviewed by Internal Auditor

This recommendation will be addressed with #35.

37. Recommendation:

Periodically review vendor files to ensure duplicate vendors are eliminated.

Respondent:

Director of Finance, Mary Mannix-Decker

Response Action: Completed

The Accounting Division of Finance has completed the review of all vendor files. The department will continue to periodically review the vendor file to ensure all information is correct and eliminate duplicate vendors.

38. Recommendation:

Maintain written agreements for funding and services provided for not-for-profits (NFP). Additionally, city staff time provided to NFPs should be tracked and included in the agreements.

Respondent:

City Manager's Office; Contracts Administrator

Response Action: In progress

The City Manager's Office is working with our Contract Administrator to compile a list of all NFPs with whom we provide funding for services provided. We will determine what contracts are in place for these services and any agency that does not have a contract agreement in place will be provided an agreement to sign by April 1, 2008. In the future, a procedure will be in place to ensure that all contract agreements for NFPs are current and renewed in a timely manner as required. Supervisors will be responsible for tracking applicable staff time in accordance with the terms of the agreement.

13.

Springfield-Branson National Airport

39. Recommendation:

Ensure the Airport Board's plans for future capital improvement projects are aligned with PFC expiration dates to prevent any lapse in collections.

Respondent:

Director of Aviation, Gary Cyr

Response Action: Completed

The Airport Board will collect all PFC authorized amounts up to the maximum collection amounts authorized. As Airport projects meet all the criteria for PFC eligibility, they will be submitted to the Federal Aviation Administration for PFC authorization. Charges under each project will be collected to the point of reaching the maximum amount authorized for each project.

40. Recommendation:

Ensure the Airport Board implements procedures to monitor lease revenues as allowed by lease agreements. Additionally, contracts should be updated as they expire, proposals should be solicited for new vendors as applicable, and the lease agreement with the travel agency should be reviewed for consistency as applicable. Further, any vacant space available for lease by the airport should be marketed to vendors as appropriate.

Respondent:

Director of Aviation, Gary Cyr

Response Action: Completed - To be reviewed by Internal Auditor

The Airport Board is in agreement with this recommendation and will begin requesting independent audit reports to monitor lease revenues as allowed by lease agreements. The Airport Board will follow the recommendations regarding contracts and lease agreements where applicable and appropriate.

14.

Parks Department Procedures

41. Recommendation:

Solicit bids for beverage products in accordance with city policy, enter into current contracts with all entities or individuals providing products and services, and properly monitor all purchases.

Respondent:

Director of Parks, Jodie Adams

Response Action: In progress - To be reviewed by Internal Auditor

Parks staff is working with the Purchasing Division of Finance to draft a Request for Proposal (RFP) for beverage products and services to be provided for Parks' activities. The RFP will cover estimated quantities used for the year by their facilities as well as the equipment, repairs, and delivery services necessary for each facility. All purchases of products are monitored and approved by supervisors of employees who purchase the products. Further review and approval is conducted by the Superintendent of Business Operations. Purchasing has notified Parks staff that a contract should be in place for beverage products no later than April 1, 2008.

42. Recommendation:

Evaluate the need for each fuel credit card and cancel any cards which are determined unnecessary.

Respondent:

Director of Parks, Jodie Adams

Response Action: Completed

The annual activity for each user of the Voyager Fuel card has been reviewed and those cards that are not expected to have at least \$200 charged per year are being terminated. Department wide, twenty-seven (27) of the cards have been cancelled to-date. A policy has also been enacted whereby the Superintendent of Business Operations will periodically review the amount of Voyager Card fuel usage per cardholder and notify Parks Management of any concerns regarding card usage.

43. Recommendation:

Reconcile records of fuel usage to fuel purchases and fuel on hand, and investigate any differences.

Respondent:

Director of Parks, Jodie Adams

Response Action: In progress - To be reviewed by Internal Auditor

Parks Operations is currently in the process of calibrating (leveling) the bulk fuel storage tanks and providing measuring devices department wide so they can be measured at time of fuel delivery. A revised form will be implemented whereby the fuel tanks will be measured before and after delivery and the amount of fuel delivered will then be reconciled to the amount used per the Bulk Fuel Log Report. This report will be reviewed and approved by the employee's supervisor as well as sent to Business Operations for review and filing. A formal set of procedures is being drafted to have on file and to be provided to employees that are involved in this process. The expected date of completion/implementation is April 1, 2008.

15.

Incentive Payments

44. Recommendation:

Review the bonus/incentive payments and clearly document how each payment is determined and in compliance with state law.

Respondent:

City Attorney, Dan Wichmer

Response Action: In progress

The City has received an opinion from the State of Missouri Attorney General's Office that states that the City is in compliance with state law as it relates to the bonus payments made to specific positions in the Parks Department. We are still awaiting an opinion for guidance on the incentive payments made to employees in the enterprise and internal service funds.

16.

Controls Over Seized Property

45. Recommendation:

Ensure procedures are in place to properly account for the handling and disposition of all seized money including adequately documenting all physical inventory counts and reconciling those counts to inventory records.

Respondent:

Chief of Police, Lynn Rowe

Response Action: Completed - To be reviewed by Internal Auditor

A new software system has been purchased and implemented that keeps accurate track of the cash held in the evidence safe. Procedures are also in place for documenting all physical inventory counts and reconciling those counts to inventory records on a regular schedule.

46. Recommendation:

Ensure adequate documentation is maintained to document the chain of custody and disposal of seized property. Additionally, the appearance of potential conflicts of interest when releasing assets from the seized property room should be considered.

Respondent:

Chief of Police, Lynn Rowe

Response Action: Completed - To be reviewed by Internal Auditor

The Springfield Police Department's policy on final disposition of property was amended to eliminate the release of personal property from the evidence room to any Springfield Police Department employee or any member of their immediate family unless they were the original owner of the property.

17.

City Policies and Procedures

47. Recommendation:

Review the current cellular phone policy and ensure each department complies with procedures outlined regarding the monitoring of personal use and reimbursement of city provided cellular phones and perform an assessment of which city positions are in need of cellular phones. In addition, we recommend the city's finance department perform routine and periodic audits to ensure compliance with the city's cellular phone policy.

Respondent:

City Manager's Office

Response Action: Completed - To be reviewed by Internal Auditor

The Administrative Memorandum regarding the use of cellular phones has been updated to address this recommendation and to ensure the policy is in alignment with the city's needs for the use of cellular phones. Departments have also submitted their internal policies to the City Manager's Office regarding the monitoring of personal use and reimbursement of personal calls from city-provided cellular phones. The Internal Auditor will from time to time perform routine and periodic audits to ensure compliance with the city's cellular phone policy.

48. Recommendation:

Develop a plan to use neighborhood improvement funds in a timely manner.

Respondent:

Planning and Development

Response Action: Completed

Neighborhood Conservation staff contacted the Presidents of the Grant Beach and Woodland Heights Neighborhood Associations and explained the audit finding as it related to the Neighborhood Betterment Funding. Staff worked with both neighborhoods on developing a scope of work of acceptable neighborhood projects. Woodland Heights has a current contract in place. Grant Beach has submitted its final scope of work and we will have a signed contract by the end of February.

The plan for expending the funds is as follows: Both neighborhoods will have until June 30, 2009 to expend the funds according to the contract with the city. Any funds remaining after this date will be transferred to the school sidewalk program for their respective elementary schools. Letters were mailed to all board members of the Grant Beach and Woodland Heights neighborhoods on January 4, 2008 and January 7, 2008 respectively. The letters reiterated the above plan for expending the funds.

This type of funding/project is unusual for neighborhood organizations. As a result the neighborhoods want to be diligent in their planning and design. They are working with the City and are focused on completing the improvements to their neighborhoods.

49. Recommendation:

Refrain from giving surplus computer equipment to city employees.

Respondent:

Department of Information Systems

Response Action: Completed

The Department of Information Systems no longer offers this program to employees.

18.

Internal Audit and Finance Department Procedures

50. Recommendation:

Consider appointing an internal auditor to conduct audits of city operations and activities that identifies ineffective or inefficient operations and reports directly to the City Council.

Respondent:

Mayor and City Council

Response Action: In progress

City Council has agreed to hire an Internal Auditor. The City Council Finance and Administration has been charged with the responsibility of recruiting, selecting, and hiring the auditor. The first meeting of the committee is scheduled for Monday, January 28, 2008. A draft job description will be reviewed and the process the committee will follow will be outlined at that meeting. A time line will be projected with a target start date of no later than May 1, 2008.

51. Recommendation:

Evaluate the appropriate use of internal services funds as recommended in the city's financial statement audit report.

Respondent:

Director of Finance, Mary Mannix-Decker; City Manager's Office

Response Action: Completed

The use of internal services funds as recommended in the city's financial statement audit report has been evaluated by the Director of Finance in consultation with the City Manager's office. The funds are appropriately used. The issues surrounding the fund balances of those funds have been addressed through rate adjustments and/or a plan for future rate adjustments to ensure sufficient revenues will be available to fund the internal services funds so that they are used appropriately and in accordance with Generally Accepted Accounting Standards (GAAP).

52. Recommendation:

Routinely investigate any checks remaining outstanding over a specified period of time and any reconciling items that have not been resolved timely. If the payees of old outstanding checks cannot be located, the monies should be disposed of in accordance with applicable state laws.

Respondent:

Director of Finance, Mary Mannix-Decker

Response Action: In progress

The Department of Finance will incorporate a policy for handling outstanding checks as a part of the financial policies that will be developed by the Accounting Procedures Workgroup and forwarded to the City Council's Finance and Administration Committee for approval. This policy will be presented to the committee during 2008. In the meantime, outstanding checks have been investigated and the number of outstanding checks over one year old was reduced to forty (40) as of January 1, 2008. The City does follow and comply with the State Treasurer's requirements for unclaimed property with regard to monies that may remain unclaimed as a result of not locating the payee of an old outstanding check.

19.

Council and Board Meeting Minutes

53. Recommendation:

The City Council should ensure minutes are maintained for all meetings in accordance with the provisions of Chapter 610, RSMo, and take steps to encourage city boards and committees to prepare and approve minutes in a timely manner.

Respondent:

City Clerk, Brenda Cirtin

Response Action: Completed

The City Clerk's Office follows state law with respect to the requirements for taking and maintaining official meeting minutes. In the future, the goal will be to have all city boards and committees prepare and approve minutes no later than the second meeting following the date of the meeting for which the minutes have been prepared.